

SAGA COMMUNICATIONS INC

Form 10-Q

May 10, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the Quarterly Period ended March 31, 2011**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-11588**

**Saga Communications, Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**38-3042953**

*(I.R.S. Employer  
Identification No.)*

**73 Kercheval Avenue**

**Grosse Pointe Farms, Michigan**

*(Address of principal executive offices)*

**48236**

*(Zip Code)*

**(313) 886-7070**

*(Registrant's telephone number, including area code)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller Reporting Company ☐  
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes ☐ No ☒

The number of shares of the registrant's Class A Common Stock, \$.01 par value, and Class B Common Stock, \$.01 par value, outstanding as of May 5, 2011 was 3,654,488 and 597,859, respectively.



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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****SAGA COMMUNICATIONS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

|                                                        | <b>March<br/>31,<br/>2011<br/>(Unaudited)</b> | <b>December<br/>31,<br/>2010<br/>(Note)</b> |
|--------------------------------------------------------|-----------------------------------------------|---------------------------------------------|
|                                                        | <b>(In thousands)</b>                         |                                             |
| <b>Assets</b>                                          |                                               |                                             |
| Current assets:                                        |                                               |                                             |
| Cash and cash equivalents                              | <b>\$ 12,754</b>                              | <b>\$ 12,197</b>                            |
| Short-term investments                                 | <b>1,011</b>                                  | <b>1,007</b>                                |
| Accounts receivable, net                               | <b>17,225</b>                                 | <b>18,985</b>                               |
| Prepaid expenses and other current assets              | <b>1,617</b>                                  | <b>2,002</b>                                |
| Barter transactions                                    | <b>1,791</b>                                  | <b>1,377</b>                                |
| Deferred income taxes                                  | <b>890</b>                                    | <b>991</b>                                  |
| Total current assets                                   | <b>35,288</b>                                 | <b>36,559</b>                               |
| Property and equipment                                 | <b>159,565</b>                                | <b>158,589</b>                              |
| Less accumulated depreciation                          | <b>94,721</b>                                 | <b>93,028</b>                               |
| Net property and equipment                             | <b>64,844</b>                                 | <b>65,561</b>                               |
| Other assets:                                          |                                               |                                             |
| Broadcast licenses, net                                | <b>90,584</b>                                 | <b>90,584</b>                               |
| Other intangibles, deferred costs and investments, net | <b>6,836</b>                                  | <b>7,099</b>                                |
| Total other assets                                     | <b>97,420</b>                                 | <b>97,683</b>                               |
|                                                        | <b>\$ 197,552</b>                             | <b>\$ 199,803</b>                           |
| <b>Liabilities and stockholders equity</b>             |                                               |                                             |
| Current liabilities:                                   |                                               |                                             |
| Accounts payable                                       | <b>\$ 1,435</b>                               | <b>\$ 1,683</b>                             |
| Payroll and payroll taxes                              | <b>5,618</b>                                  | <b>5,524</b>                                |
| Other accrued expenses                                 | <b>3,077</b>                                  | <b>3,460</b>                                |
| Barter transactions                                    | <b>2050</b>                                   | <b>1,641</b>                                |
| Current portion of long-term debt                      | <b>4,443</b>                                  | <b>6,121</b>                                |
| Total current liabilities                              | <b>16,623</b>                                 | <b>18,429</b>                               |
| Deferred income taxes                                  | <b>7,659</b>                                  | <b>7,105</b>                                |
| Long-term debt                                         | <b>87,635</b>                                 | <b>89,957</b>                               |
| Other liabilities                                      | <b>3,850</b>                                  | <b>4,234</b>                                |
| <b>Stockholders equity</b>                             |                                               |                                             |
| Common stock                                           | <b>53</b>                                     | <b>53</b>                                   |
| Additional paid-in capital                             | <b>50,460</b>                                 | <b>50,298</b>                               |
| Retained earnings                                      | <b>59,862</b>                                 | <b>58,200</b>                               |

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|                            |                   |            |
|----------------------------|-------------------|------------|
| Treasury stock             | <b>(28,590)</b>   | (28,473)   |
| Total stockholders' equity | <b>81,785</b>     | 80,078     |
|                            | <b>\$ 197,552</b> | \$ 199,803 |

Note: The balance sheet at December 31, 2010 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See notes to unaudited condensed consolidated financial statements.

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**SAGA COMMUNICATIONS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

|                                                      | <b>Three Months Ended<br/>March 31,</b>      |             |
|------------------------------------------------------|----------------------------------------------|-------------|
|                                                      | <b>2011</b>                                  | <b>2010</b> |
|                                                      | <b>(Unaudited)</b>                           |             |
|                                                      | <b>(In thousands, except per share data)</b> |             |
| Net operating revenue                                | \$ 28,708                                    | \$ 27,987   |
| Station operating expenses                           | 22,736                                       | 22,560      |
| Corporate general and administrative                 | 1,940                                        | 1,882       |
| Operating income                                     | 4,032                                        | 3,545       |
| Other expenses, net:                                 |                                              |             |
| Interest expense                                     | 1,157                                        | 1,519       |
| Other (income) expense, net                          | 68                                           | (3,596)     |
| Income before income tax                             | 2,807                                        | 5,622       |
| Income tax provision                                 | 1,145                                        | 2,305       |
| Net income                                           | \$ 1,662                                     | \$ 3,317    |
| Earnings per share                                   |                                              |             |
| Basic                                                | \$ 0.39                                      | \$ 0.78     |
| Diluted                                              | \$ 0.39                                      | \$ 0.78     |
| Weighted average common shares                       | 4,237                                        | 4,228       |
| Weighted average common and common equivalent shares | 4,243                                        | 4,229       |

See notes to unaudited condensed consolidated financial statements.

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**SAGA COMMUNICATIONS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

|                                                     | <b>Three Months Ended<br/>March 31,</b> |             |
|-----------------------------------------------------|-----------------------------------------|-------------|
|                                                     | <b>2011</b>                             | <b>2010</b> |
|                                                     | <b>(Unaudited)</b>                      |             |
|                                                     | <b>(In thousands)</b>                   |             |
| <b>Cash flows from operating activities:</b>        |                                         |             |
| Cash provided by operating activities               | <b>\$ 5,885</b>                         | \$ 7,342    |
| <b>Cash flows from investing activities:</b>        |                                         |             |
| Acquisition of property and equipment               | <b>(1,145)</b>                          | (845)       |
| Proceeds from license downgrade                     |                                         | 3,561       |
| Other investing activities                          | <b>(66)</b>                             | 50          |
| Net cash (used in) provided by investing activities | <b>(1,211)</b>                          | 2,766       |
| <b>Cash flows from financing activities:</b>        |                                         |             |
| Payments on long-term debt                          | <b>(4,000)</b>                          | (5,000)     |
| Payments for debt issuance costs                    |                                         | (1,503)     |
| Purchase of shares held in treasury                 | <b>(117)</b>                            | (78)        |
| Net cash used in financing activities               | <b>(4,117)</b>                          | (6,581)     |
| Net increase in cash and cash equivalents           | <b>557</b>                              | 3,527       |
| Cash and cash equivalents, beginning of period      | <b>12,197</b>                           | 12,899      |
| Cash and cash equivalents, end of period            | <b>\$ 12,754</b>                        | \$ 16,426   |

See notes to unaudited condensed consolidated financial statements.

Table of Contents**SAGA COMMUNICATIONS, INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. Summary of Significant Accounting Policies*****Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for annual financial statements.

In our opinion, the accompanying financial statements include all adjustments of a normal, recurring nature considered necessary for a fair presentation of our financial position as of March 31, 2011 and the results of operations for the three months ended March 31, 2011 and 2010. Results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Saga Communications, Inc. Annual Report on Form 10-K for the year ended December 31, 2010.

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of March 31, 2011, for items that should potentially be recognized in these financial statements or discussed within the notes to the financial statements.

***Earnings Per Share Information***

The following table sets forth the computation of basic and diluted earnings per share:

|                                                                                                     | <b>Three Months Ended March 31,</b>          |             |
|-----------------------------------------------------------------------------------------------------|----------------------------------------------|-------------|
|                                                                                                     | <b>2011</b>                                  | <b>2010</b> |
|                                                                                                     | <b>(In thousands, except per share data)</b> |             |
| Numerator:                                                                                          |                                              |             |
| Net income available to common stockholders                                                         | \$ 1,662                                     | \$ 3,317    |
| Denominator:                                                                                        |                                              |             |
| Denominator for basic earnings per share-weighted average shares                                    | 4,237                                        | 4,228       |
| Effect of dilutive securities:                                                                      |                                              |             |
| Common stock equivalents                                                                            | 6                                            | 1           |
| Denominator for diluted earnings per share adjusted weighted-average shares and assumed conversions | 4,243                                        | 4,229       |
| Basic earnings per share                                                                            | \$ 0.39                                      | \$ 0.78     |
| Diluted earnings per share                                                                          | \$ 0.39                                      | \$ 0.78     |

The number of stock options outstanding that had an antidilutive effect on our earnings per share calculation was 294,000 and 390,000 for the three months ended March 31, 2011 and 2010, respectively. The actual effect of these shares, if any, on the diluted earnings per share calculation will vary significantly depending on the fluctuation in the stock price.



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**SAGA COMMUNICATIONS, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (Continued)**

***Fair Value of Financial Instruments***

Short-term investments, which include certificates of deposit, approximate fair value due to their short maturities.

***Income Taxes***

Our effective tax rate is higher than the federal statutory rate as a result of the inclusion of state taxes in the income tax amount.

***Time Brokerage Agreements***

We have entered into Time Brokerage Agreements ( TBAs ) or Local Marketing Agreements ( LMA s ) in certain markets. In a typical TBA/LMA, the FCC licensee of a station makes available, for a fee, blocks of air time on its station to another party that supplies programming to be broadcast during that air time and sells their own commercial advertising announcements during the time periods specified. Revenue and expenses related to TBA s/LMA s are included in the accompanying unaudited Condensed Consolidated Statements of Income.

**2. Recent Accounting Pronouncements**

In October 2009, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2009-13, which addresses the accounting for multiple-deliverable revenue arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit, and provides guidance regarding how to measure and allocate arrangement consideration to one or more units of accounting. This guidance was effective on January 1, 2011 and adoption did not have a material impact on our consolidated financial statements.

In January 2010, the FASB issued new guidance for fair value measurements and disclosures which requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and 2 fair value measurements and describe the reasons for the transfers. The guidance also requires a reporting entity to present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). The guidance was effective on January 1, 2010, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which was effective for the Company on January 1, 2011. The guidance adopted on January 1, 2011 did not have a material impact on our consolidated financial statements.

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**SAGA COMMUNICATIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS (Continued)**

**3. Intangible Assets**

We evaluate our FCC licenses for impairment annually as of October 1<sup>st</sup> or more frequently if events or circumstances indicate that the asset might be impaired. FCC licenses are evaluated for impairment at the market level using a direct method. If the carrying amount of FCC licenses is greater than their estimated fair value in a given market, the carrying amount of FCC licenses in that market is reduced to its estimated fair value.

Intangible assets that have finite lives are amortized over their useful lives using the straight-line method. Favorable lease agreements are amortized over the lives of the leases ranging from 4 to 26 years. Other intangibles are amortized over one to eleven years.

**4. Common Stock and Treasury Stock**

The following summarizes information relating to the number of shares of our common stock issued in connection with stock transactions through March 31, 2011:

|                                | <b>Common Stock Issued</b>   |                |
|--------------------------------|------------------------------|----------------|
|                                | <b>Class A</b>               | <b>Class B</b> |
|                                | <b>(Shares in thousands)</b> |                |
| Balance, January 1, 2010       | 4,771                        | 599            |
| Conversion of shares           | 1                            | (1)            |
| Forfeiture of restricted stock | (2)                          |                |
| Balance, December 31, 2010     | 4,770                        | 598            |
| Conversion of shares           | 1                            | (1)            |
| Balance, March 31, 2011        | 4,771                        | 597            |

We have a Stock Buy-Back Program (the *Buy-Back Program*) to allow us to purchase up to \$60,000,000 of our Class A Common Stock. From its inception in 1998 through March 31, 2011, we have repurchased 1,391,586 shares of our Class A Common Stock for approximately \$45,680,000. The terms of the Credit Agreement, as amended, limit our ability to repurchase our Class A Common Stock.

**5. Stock-Based Compensation*****2005 Incentive Compensation Plan***

On May 9, 2005, our stockholders approved the 2005 Incentive Compensation Plan (the *2005 Plan*) which replaced our 2003 Stock Option Plan (the *2003 Plan*) as to future grants. The 2005 Plan extends through March 2015 and allows for the granting of restricted stock, restricted stock units, incentive stock options, nonqualified stock options, and performance awards to officers and a selected number of employees.

***Stock-Based Compensation***

Compensation expense of approximately \$95,000 and \$187,000 was recognized for the three months ended March 31, 2011 and 2010, respectively, and is included in corporate general and administrative expenses in our results of operations. The associated future income tax benefit recognized for the three months ended March 31, 2011 and 2010 was approximately \$39,000 and \$76,000, respectively.

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**SAGA COMMUNICATIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS (Continued)**

The following summarizes the stock option transactions for the 2005 and 2003 Plans and the 1992 Stock Option Plan (the 1992 Plan ) for the three months ended March 31, 2011:

|                                | <b>Number<br/>of<br/>Options</b> | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term<br/>(Years)</b> | <b>Aggregate<br/>Intrinsic<br/>Value</b> |
|--------------------------------|----------------------------------|------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------|
| Outstanding at January 1, 2011 | 293,993                          | \$ 51.70                                       | 3.9                                                                            | \$                                       |
| Granted                        |                                  |                                                |                                                                                |                                          |
| Exercised                      |                                  |                                                |                                                                                |                                          |
| Expired                        |                                  |                                                |                                                                                |                                          |
| Forfeited                      | (282)                            | 37.96                                          |                                                                                |                                          |
| Outstanding at March 31, 2011  | 293,711                          | \$ 51.71                                       | 3.4                                                                            | \$                                       |
| Exercisable at March 31, 2011  | 286,701                          | \$ 52.05                                       | 3.4                                                                            | \$                                       |

The following summarizes the non-vested stock option transactions for the 2005, 2003 and 1992 Plans for the three months ended March 31, 2011:

|                               | <b>Number<br/>of<br/>Options</b> | <b>Weighted<br/>Average<br/>Grant Date Fair<br/>Value</b> |
|-------------------------------|----------------------------------|-----------------------------------------------------------|
| Non-vested at January 1, 2011 | 35,155                           | \$ 18.51                                                  |
| Granted                       |                                  |                                                           |
| Vested                        | (27,863)                         | 18.30                                                     |
| Forfeited/canceled            | (282)                            | 19.30                                                     |
| Non-vested at March 31, 2011  | 7,010                            | \$ 19.30                                                  |

The following summarizes the restricted stock transactions for the three months ended March 31, 2011:

|                                | <b>Shares</b> | <b>Weighted<br/>Average<br/>Grant Date Fair<br/>Value</b> |
|--------------------------------|---------------|-----------------------------------------------------------|
| Outstanding at January 1, 2011 | 21,120        | \$ 28.73                                                  |
| Granted                        |               |                                                           |
| Vested                         | (10,632)      | 31.28                                                     |
| Forfeited                      | (463)         | 25.87                                                     |

|                                              |        |    |       |
|----------------------------------------------|--------|----|-------|
| Non-vested and outstanding at March 31, 2011 | 10,025 | \$ | 26.15 |
|----------------------------------------------|--------|----|-------|

For the three months ended March 31, 2011 and 2010, we had approximately \$67,000 and \$111,000, respectively, of total compensation expense related to restricted stock-based compensation arrangements. The associated tax benefit recognized for the three months ended March 31, 2011 and 2010 was approximately \$28,000 and \$46,000, respectively.

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**SAGA COMMUNICATIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS (Continued)**

**6. Long-Term Debt**

Long-term debt consisted of the following:

|                                 | <b>March<br/>31,<br/>2011</b> | <b>December<br/>31,<br/>2010</b> |
|---------------------------------|-------------------------------|----------------------------------|
|                                 | <b>(In thousands)</b>         |                                  |
| Credit Agreement:               |                               |                                  |
| Reducing revolver facility      | \$ 91,000                     | \$ 95,000                        |
| Secured debt of affiliate       | 1,078                         | 1,078                            |
|                                 | 92,078                        | 96,078                           |
| Amounts payable within one year | 4,443                         | 6,121                            |
|                                 | \$ 87,635                     | \$ 89,957                        |

Our credit agreement is a reducing revolving line of credit maturing on July 29, 2012 (the "Credit Agreement"). Our indebtedness under the Credit Agreement is secured by a first priority lien on substantially all of our assets and of our subsidiaries, by a pledge of our subsidiaries' stock and by a guarantee of our subsidiaries.

Our Revolving Commitments at March 31, 2011 were \$103.6 million. We had approximately \$12.6 million of unused borrowing capacity under the Credit Agreement at March 31, 2011.

Under the Credit Agreement the Revolving Commitments must be permanently reduced by \$2.5 million at the end of each calendar quarter. In addition, each calendar quarter the Revolving Commitments must be further reduced by 75% of Excess Cash Flow (as defined in the Credit Agreement) and is included in the Current portion of long-term debt at March 31, 2011. Any outstanding balance under the Credit Agreement will be due on the maturity date of July 29, 2012. Interest on the Credit Agreement is at a variable rate, and as such the debt obligation outstanding approximates fair value.

The Credit Agreement contains a number of financial covenants (all of which we were in compliance with at March 31, 2011) that, among other things, requires us to maintain specified financial ratios and impose certain limitations on us with respect to additional indebtedness, acquisitions, the incurrence of additional liens, the disposition of assets, the payment of cash dividends, repurchases of our Class A Common Stock, mergers, changes in business and management, investments and transactions with affiliates. The financial covenants become more restrictive over the life of the Credit Agreement.

We are in the process of seeking a new credit facility to replace our Credit Agreement which matures on July 29, 2012. We believe that we will be able to enter into a new credit facility on terms that are satisfactory to us and expect to complete this process in 2011. Upon the retirement of our Credit Agreement, we expect to write-off the unamortized debt issuance costs, which were approximately \$1.4 million at March 31, 2011.

In April 2011, approximately \$1.1 million of secured debt of an affiliate maturing in May 2011 was extended for a term of 90 days.

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**SAGA COMMUNICATIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS (Continued)**

**7. Segment Information**

We evaluate the operating performance of our markets individually. For purposes of business segment reporting, we have aligned operations with similar characteristics into two business segments: Radio and Television.

The Radio segment includes twenty-three markets, which includes all ninety-one of our radio stations and five radio information networks. The Television segment includes three markets and consists of five television stations and four low power television ( LPTV ) stations. The Radio and Television segments derive their revenue from the sale of commercial broadcast inventory. The category Corporate general and administrative represents the income and expense not allocated to reportable segments.

|                                           | <b>Radio</b>          | <b>Television</b> | <b>Corporate<br/>and<br/>Other</b> | <b>Consolidated</b> |
|-------------------------------------------|-----------------------|-------------------|------------------------------------|---------------------|
|                                           | <b>(In thousands)</b> |                   |                                    |                     |
| <b>Three Months Ended March 31, 2011:</b> |                       |                   |                                    |                     |
| Net operating revenue                     | \$ 24,506             | \$ 4,202          | \$                                 | \$ 28,708           |
| Station operating expense                 | 19,278                | 3,458             |                                    | 22,736              |
| Corporate general and administrative      |                       |                   | 1,940                              | 1,940               |
| Operating income (loss)                   | \$ 5,228              | \$ 744            | \$ (1,940)                         | \$ 4,032            |
| Depreciation and amortization             | \$ 1,339              | \$ 412            | \$ 54                              | \$ 1,805            |
| Total assets                              | \$ 148,859            | \$ 26,833         | \$ 21,860                          | \$ 197,552          |

|                                           | <b>Radio</b>          | <b>Television</b> | <b>Corporate<br/>and<br/>Other</b> | <b>Consolidated</b> |
|-------------------------------------------|-----------------------|-------------------|------------------------------------|---------------------|
|                                           | <b>(In thousands)</b> |                   |                                    |                     |
| <b>Three Months Ended March 31, 2010:</b> |                       |                   |                                    |                     |
| Net operating revenue                     | \$ 24,144             | \$ 3,843          | \$                                 | \$ 27,987           |
| Station operating expense                 | 19,223                | 3,337             |                                    | 22,560              |
| Corporate general and administrative      |                       |                   | 1,882                              | 1,882               |
| Operating income (loss)                   | \$ 4,921              | \$ 506            | \$ (1,882)                         | \$ 3,545            |
| Depreciation and amortization             | \$ 1,421              | \$ 424            | \$ 52                              | \$ 1,897            |
| Total assets                              | \$ 151,117            | \$ 26,552         | \$ 25,154                          | \$ 202,823          |

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Results of Operations**

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of Saga Communications, Inc. and its subsidiaries contained elsewhere herein and the audited financial statements and Management Discussion and Analysis contained in our Annual Report on Form 10-K for the year ended December 31, 2010. The following discussion is presented on both a consolidated and segment basis. Corporate general and administrative expenses, interest expense, other (income) expense, and income tax expense are managed on a consolidated basis and are reflected only in our discussion of consolidated results.

For purposes of business segment reporting, we have aligned operations with similar characteristics into two business segments: Radio and Television. The Radio segment includes twenty-three markets, which includes all ninety-one of our radio stations and five radio information networks. The Television segment includes three markets and consists of five television stations and four LPTV stations. The discussion of our operating performance focuses on segment operating income because we manage our segments primarily on operating income. Operating performance is evaluated for each individual market.

**General**

We are a broadcast company primarily engaged in developing and operating radio and television stations.

**Radio Segment**

Our radio segment's primary source of revenue is from the sale of advertising for broadcast on our stations. Depending on the format of a particular radio station, there are a predetermined number of advertisements available to be broadcast each hour.

Most advertising contracts are short-term and generally run for a few weeks only. The majority of our revenue is generated from local advertising, which is sold primarily by each radio market's sales staff. For the three months ended March 31, 2011 and 2010, approximately 86% and 88%, respectively, of our radio segment's gross revenue was from local advertising. To generate national advertising sales, we engage independent advertising sales representative firms that specialize in national sales for each of our broadcast markets.

Our revenue varies throughout the year. Advertising expenditures, our primary source of revenue, generally have been lowest during the winter months, which include the first quarter of each year. We had a significant increase in political advertising in 2010 due to the number of congressional, senatorial, gubernatorial and local elections in most of our markets. Since 2011 is not an election year, we expect political revenue in 2011 to significantly decline.

Our net operating revenue, station operating expense and operating income varies from market to market based upon the market's rank or size which is based upon population and the available radio advertising revenue in that particular market.

Our financial results are dependent on a number of factors, the most significant of which is our ability to generate advertising revenue through rates charged to advertisers. The rates a station is able to charge are, in large part, based on a station's ability to attract audiences in the demographic groups targeted by its advertisers. In a number of our markets this is measured by periodic reports generated by independent national rating services. In the remainder of our markets it is measured by the results advertisers obtain through the actual running of an advertising schedule. Advertisers measure these results based on increased demand for their goods or services and/or actual revenues generated from such demand. Various factors affect the rate a station can charge, including the general strength of the local and national economies, population growth, ability to provide popular programming, local market competition, target marketing capability of radio compared to other advertising media and signal strength.

The number of advertisements that can be broadcast without jeopardizing listening levels (and the resulting ratings) is limited in part by the format of a particular radio station. Our stations strive to maximize revenue by constantly managing the number of commercials available for sale and adjusting prices based upon local market conditions and ratings. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of day, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year. Any change in our revenue, with the exception of those instances where stations are acquired or sold, is generally the result of inventory sell out ratios and pricing adjustments, which are made to ensure that the station efficiently utilizes available inventory.

Our radio stations employ a variety of programming formats. We periodically perform market research, including music evaluations, focus groups and strategic vulnerability studies. Because reaching a large and demographically attractive audience is crucial to a station's financial success, we endeavor to develop strong listener loyalty. Our stations also employ audience promotions to further develop and secure a loyal following. We believe that the diversification of formats on our radio stations helps to insulate us from the effects of changes in musical tastes of the public on any particular format.

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The primary operating expenses involved in owning and operating radio stations are employee salaries and commissions, depreciation, programming expenses, and advertising and promotion expenses.

Although the recent global economic environment has negatively affected advertising revenues for a wide variety of media businesses, radio revenue growth has been declining or stagnant over the last several years, primarily in major markets that are dependent on national advertising. The radio broadcasting industry is subject to rapid technological change, evolving industry standards and the emergence of new media technologies and services (such as the Internet, satellite radio and mp3 players). These recent technologies and media are gaining advertising share against radio and other traditional media.

During the three months ended March 31, 2011 and 2010 and the years ended December 31, 2010 and 2009, our Bellingham, Washington; Des Moines, Iowa; Manchester, New Hampshire; and Milwaukee, Wisconsin markets, when combined, represented approximately 28%, 30%, 30% and 30%, respectively, of our consolidated net operating revenue. An adverse change in any of these radio markets or our relative market position in those markets could have a significant impact on our operating results as a whole.

The following tables describe the percentage of our consolidated net operating revenue represented by each of these markets:

|                           | Percentage of Consolidated Net Operating Revenue for the Three Months Ended March 31, |      | Percentage of Consolidated Net Operating Revenue for the Years Ended December 31, |      |
|---------------------------|---------------------------------------------------------------------------------------|------|-----------------------------------------------------------------------------------|------|
|                           | 2011                                                                                  | 2010 | 2010                                                                              | 2009 |
|                           |                                                                                       |      |                                                                                   |      |
|                           |                                                                                       |      |                                                                                   |      |
| <b>Market:</b>            |                                                                                       |      |                                                                                   |      |
| Bellingham, Washington    | 5%                                                                                    | 5%   | 5%                                                                                | 5%   |
| Des Moines, Iowa          | 6%                                                                                    | 6%   | 6%                                                                                | 7%   |
| Manchester, New Hampshire | 5%                                                                                    | 6%   | 6%                                                                                | 5%   |
| Milwaukee, Wisconsin      | 12%                                                                                   | 13%  | 13%                                                                               | 13%  |

We use certain financial measures that are not calculated in accordance with generally accepted accounting principles in the United States of America (GAAP) to assess our financial performance. For example, we evaluate the performance of our markets based on station operating income (operating income plus corporate general and administrative expenses, depreciation and amortization, impairment of intangible assets, less gain on asset exchange). Station operating income is generally recognized by the broadcasting industry as a measure of performance, is used by analysts who report on the performance of the broadcasting industry and it serves as an indicator of the market value of a group of stations. In addition, we use it to evaluate individual stations, market-level performance, overall operations and as a primary measure for incentive based compensation of executives and other members of management. Station operating income is not necessarily indicative of amounts that may be available to us for debt service requirements, other commitments, reinvestment or other discretionary uses. Station operating income is not a measure of liquidity or of performance in accordance with GAAP, and should be viewed as a supplement to, and not a substitute for our results of operations presented on a GAAP basis.

During the three months ended March 31, 2011 and 2010 and the years ended December 31, 2010 and 2009, the radio stations in our four largest markets when combined, represented approximately 35%, 38%, 36% and 41%, respectively, of our consolidated station operating income. The following tables describe the percentage of our consolidated station operating income represented by each of these markets:

| Percentage of Consolidated | Percentage of Consolidated |
|----------------------------|----------------------------|
|----------------------------|----------------------------|

|                           | Station Operating<br>Income (*)<br>for the Three Months<br>Ended<br>March 31, |      | Station Operating<br>Income(*)<br>for the Years Ended<br>December 31, |      |
|---------------------------|-------------------------------------------------------------------------------|------|-----------------------------------------------------------------------|------|
|                           | 2011                                                                          | 2010 | 2010                                                                  | 2009 |
| <b>Market:</b>            |                                                                               |      |                                                                       |      |
| Bellingham, Washington    | 7%                                                                            | 7%   | 7%                                                                    | 7%   |
| Des Moines, Iowa          | 4%                                                                            | 3%   | 4%                                                                    | 7%   |
| Manchester, New Hampshire | 8%                                                                            | 8%   | 8%                                                                    | 7%   |
| Milwaukee, Wisconsin      | 16%                                                                           | 20%  | 17%                                                                   | 20%  |

\* Operating income (excluding non-cash impairment charge) plus corporate general and administrative expenses, depreciation and amortization, less gain on asset exchange.

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**Television Segment**

Our television segment's primary source of revenue is from the sale of advertising for broadcast on our stations. The number of advertisements available for broadcast on our television stations is limited by network affiliation and syndicated programming agreements and, with respect to children's programs, federal regulation. Our television stations' local market managers determine the number of advertisements to be broadcast in locally produced programs only, which are primarily news programming and occasionally local sports or information shows.

Our net operating revenue, station operating expense and operating income vary from market to market based upon the market's rank or size, which is based upon population, available television advertising revenue in that particular market, and the popularity of programming being broadcast.

Our financial results are dependent on a number of factors, the most significant of which is our ability to generate advertising revenue through rates charged to advertisers. The rates a station is able to charge are, in large part, based on a station's ability to attract audiences in the demographic groups targeted by its advertisers, as measured principally by periodic reports by independent national rating services. Various factors affect the rate a station can charge, including the general strength of the local and national economies, population growth, ability to provide popular programming through locally produced news, sports and weather and as a result of syndication and network affiliation agreements, local market competition, the ability of television broadcasting to reach a mass appeal market compared to other advertising media, and signal strength including cable/satellite coverage, and government regulation and policies.

Our stations strive to maximize revenue by constantly adjusting prices for our commercial spots based upon local market conditions, advertising demands and ratings. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of day, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year. Any change in our revenue, with the exception of those instances where stations are acquired or sold, is generally the result of pricing adjustments, which are made to ensure that the station efficiently utilizes available inventory.

Because audience ratings in the local market are crucial to a station's financial success, we endeavor to develop strong viewer loyalty by providing locally produced news, weather and sports programming. We believe that this emphasis on the local market provides us with the viewer loyalty we are trying to achieve.

Most of our revenue is generated from local advertising, which is sold primarily by each television market's sales staff. For the three months ended March 31, 2011 and 2010, approximately 81% and 80%, respectively, of our television segment's gross revenue was from local advertising. To generate national advertising sales, we engage independent advertising sales representatives that specialize in national sales for each of our television markets.

Our revenue varies throughout the year. Advertising expenditures, our primary source of revenue, generally have been lowest during the winter months, which include the first quarter of each year. We had a significant increase in political advertising in 2010 due to the number of congressional, senatorial, gubernatorial and local elections in most of our markets. Since 2011 is not an election year, we expect political revenue in 2011 to significantly decline.

The primary operating expenses involved in owning and operating television stations are employee salaries and commissions, depreciation, programming expenses, including news production and the cost of acquiring certain syndicated programming, and advertising and promotion expenses.

Our television market in Joplin, Missouri represented approximately 19%, 15%, 13% and 14%, respectively, of our consolidated operating income (excluding non-cash impairment charge) for the three months ended March 31, 2011 and 2010 and the years ended December 31, 2010 and 2009.

**Table of Contents****Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010*****Results of Operations***

The following tables summarize our results of operations for the three months ended March 31, 2011 and 2010.

**Consolidated Results of Operations**

|                                        | <b>Three Months Ended</b>                                           |                  |                   |                   |
|----------------------------------------|---------------------------------------------------------------------|------------------|-------------------|-------------------|
|                                        | <b>March 31,</b>                                                    | <b>March 31,</b> | <b>\$</b>         | <b>%</b>          |
|                                        | <b>2011</b>                                                         | <b>2010</b>      | <b>Increase</b>   | <b>Increase</b>   |
|                                        |                                                                     |                  | <b>(Decrease)</b> | <b>(Decrease)</b> |
|                                        | <b>(In thousands, except percentages and per share information)</b> |                  |                   |                   |
| Net operating revenue                  | \$ 28,708                                                           | \$ 27,987        | \$ 721            | 2.6%              |
| Station operating expense              | 22,736                                                              | 22,560           | 176               | 0.8%              |
| Corporate G&A                          | 1,940                                                               | 1,882            | 58                | 3.1%              |
| Operating income                       | 4,032                                                               | 3,545            | 487               | 13.7%             |
| Interest expense                       | 1,157                                                               | 1,519            | (362)             | (23.8)%           |
| Other (income) expense, net            | 68                                                                  | (3,596)          | 3,664             | N/M               |
| Income tax expense                     | 1,145                                                               | 2,305            | (1,160)           | (50.3)%           |
| Net income                             | \$ 1,662                                                            | \$ 3,317         | \$ (1,655)        | (49.9)%           |
| Earnings per share (basic and diluted) | \$ .39                                                              | \$ .78           | \$ (.39)          | (50.0)%           |

**Radio Broadcasting Segment**

|                           | <b>Three Months Ended</b>                 |                  |                   |                   |
|---------------------------|-------------------------------------------|------------------|-------------------|-------------------|
|                           | <b>March 31,</b>                          | <b>March 31,</b> | <b>\$</b>         | <b>%</b>          |
|                           | <b>2011</b>                               | <b>2010</b>      | <b>Increase</b>   | <b>Increase</b>   |
|                           |                                           |                  | <b>(Decrease)</b> | <b>(Decrease)</b> |
|                           | <b>(In thousands, except percentages)</b> |                  |                   |                   |
| Net operating revenue     | \$ 24,506                                 | \$ 24,144        | \$ 362            | 1.5%              |
| Station operating expense | 19,278                                    | 19,223           | 55                | 0.3%              |
| Operating income          | \$ 5,228                                  | \$ 4,921         | \$ 307            | 6.2%              |

**Television Broadcasting Segment**

|                           | <b>Three Months Ended</b>                 |                  |                   |                   |
|---------------------------|-------------------------------------------|------------------|-------------------|-------------------|
|                           | <b>March 31,</b>                          | <b>March 31,</b> | <b>\$</b>         | <b>%</b>          |
|                           | <b>2011</b>                               | <b>2010</b>      | <b>Increase</b>   | <b>Increase</b>   |
|                           |                                           |                  | <b>(Decrease)</b> | <b>(Decrease)</b> |
|                           | <b>(In thousands, except percentages)</b> |                  |                   |                   |
| Net operating revenue     | \$ 4,202                                  | \$ 3,843         | \$ 359            | 9.3%              |
| Station operating expense | 3,458                                     | 3,337            | 121               | 3.6%              |
| Operating income          | \$ 744                                    | \$ 506           | \$ 238            | 47.0%             |

N/M = Not Meaningful

**Table of Contents*****Reconciliation of segment operating income (loss) to consolidated operating income:***

|                                           | <b>Radio</b> | <b>Television</b> | <b>Corporate<br/>and<br/>Other<br/>(In thousands)</b> | <b>Consolidated</b> |
|-------------------------------------------|--------------|-------------------|-------------------------------------------------------|---------------------|
| <b>Three Months Ended March 31, 2011:</b> |              |                   |                                                       |                     |
| Net operating revenue                     | \$ 24,506    | \$ 4,202          | \$                                                    | \$ 28,708           |
| Station operating expense                 | 19,278       | 3,458             |                                                       | 22,736              |
| Corporate general and administrative      |              |                   | 1,940                                                 | 1,940               |
| Operating income (loss)                   | \$ 5,228     | \$ 744            | \$ (1,940)                                            | \$ 4,032            |

|                                           | <b>Radio</b> | <b>Television</b> | <b>Corporate<br/>and<br/>Other<br/>(In thousands)</b> | <b>Consolidated</b> |
|-------------------------------------------|--------------|-------------------|-------------------------------------------------------|---------------------|
| <b>Three Months Ended March 31, 2010:</b> |              |                   |                                                       |                     |
| Net operating revenue                     | \$ 24,144    | \$ 3,843          | \$                                                    | \$ 27,987           |
| Station operating expense                 | 19,223       | 3,337             |                                                       | 22,560              |
| Corporate general and administrative      |              |                   | 1,882                                                 | 1,882               |
| Operating income (loss)                   | \$ 4,921     | \$ 506            | \$ (1,882)                                            | \$ 3,545            |

***Consolidated***

For the three months ended March 31, 2011, consolidated net operating revenue was \$28,708,000 compared with \$27,987,000 for the three months ended March 31, 2010, an increase of approximately \$721,000 or 3%. Gross national revenue and gross local revenue increased approximately \$343,000 and \$710,000, respectively. Gross political revenue decreased approximately \$142,000. The increase in both gross local and gross national revenue was primarily the result of the improvement in the U.S. economy and advertising spending in general. The decrease in gross political revenue was primarily attributable to political advertising on our networks in the prior year quarter as 2010 was an election year.

Station operating expense was \$22,736,000 for the three months ended March 31, 2011, compared with \$22,560,000 for the three months ended March 31, 2010, an increase of \$176,000 or 1%. Salaries and related expenses (excluding health care costs) increased approximately \$100,000, primarily as a result of the improved operating performance. Our health care costs increased approximately \$490,000 as compared to the prior year quarter. These increases were partially offset by reductions in bad debt expense and rating service expense of approximately \$176,000 and \$127,000, respectively.

Operating income for the three months ended March 31, 2011 was \$4,032,000 compared to \$3,545,000 for the three months ended March 31, 2010, an increase of approximately \$487,000 or 14%. The increase was a direct result of the improvement in net operating revenue partially offset by an increase in station operating expense, described in detail above, and a \$58,000 or 3% increase in corporate general and administrative charges.

We generated net income of approximately \$1,662,000 (\$.39 per share on a fully diluted basis) during the three months ended March 31, 2011, compared to \$3,317,000 (\$.78 per share on a fully diluted basis) for the three months ended March 31, 2010, a decrease of approximately \$1,655,000 or 50%. The decrease was the result of a decrease in other income of \$3,664,000, an increase in operating income of \$487,000 and decreases in interest expense and income tax expense of \$362,000 and \$1,160,000, respectively. In the prior year quarter, we had non-recurring income of \$3,561,000 resulting from an agreement to downgrade an FCC license at one of our stations. The decrease in

interest expense was the result of the decrease in debt and an average decrease in market interest rates of approximately 0.65%. The decrease in income tax expense was directly attributable to operating performance.

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***Radio Segment***

For the three months ended March 31, 2011, net operating revenue of the radio segment was \$24,506,000 compared with \$24,144,000 for the three months ended March 31, 2010, which represents an increase of \$362,000 or 2%. Gross national revenue and gross local revenue increased approximately \$330,000 and \$276,000, respectively. Gross political revenue decreased approximately \$112,000 in the current quarter as compared to the prior year period. The increase in both gross local and gross national revenue was primarily the result of the improvement in the U.S. economy and advertising spending in general. The decrease in gross political revenue was primarily attributable to political advertising on our networks in the prior year quarter as 2010 was an election year.

Station operating expense for the radio segment was \$19,278,000 for the three months ended March 31, 2011, compared with \$19,223,000 for the three months ended March 31, 2010, a decline of approximately \$55,000 or less than 1%. Salaries and related expenses (excluding health care costs) increased approximately \$125,000, primarily as a result of the improved operating performance. Our health care costs increased approximately \$410,000 as compared to the prior year quarter. These increases were partially offset by reductions in bad debt expense and rating service expense of approximately \$164,000 and \$130,000, respectively. Additionally, trade expense and depreciation expense decreased approximately \$146,000 and \$81,000, respectively, in the current quarter as compared to the prior year period.

Operating income in the radio segment increased \$307,000 to \$5,228,000 for the three months ended March 31, 2011, from \$4,921,000 for the three months ended March 31, 2010. The increase was a direct result of the improvement in net operating revenue, described in detail above.

***Television Segment***

For the three months ended March 31, 2011, net operating revenue of our television segment was \$4,202,000 compared with \$3,843,000 for the three months ended March 31, 2010, an increase of \$359,000 or 9%. The increase in net operating revenue was primarily attributable to an increase in local revenue as a result of the improvement in the U.S. economy and advertising spending in general.

Station operating expense in the television segment for the three months ended March 31, 2011 was \$3,458,000, compared with \$3,337,000 for the three months ended March 31, 2010, an increase of approximately \$121,000 or 4%. The increase in station operating expense is primarily a result of increased sales expense and health care costs as compared to the prior year quarter.

Operating income in the television segment for the three months ended March 31, 2011 was \$744,000 compared with \$506,000 for the three months ended March 31, 2010, an increase of approximately \$238,000 or 47%. The increase was a direct result of the improvement in net operating revenue, described in detail above.

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### **Forward-Looking Statements**

Statements contained in this Form 10-Q that are not historical facts are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, words such as believes, anticipates, estimates, plans, expects, and similar expressions are intended to identify forward-looking statements. These statements are made as of the date of this report or as otherwise indicated, based on current expectations. We undertake no obligation to update this information. A number of important factors could cause our actual results for 2011 and beyond to differ materially from those expressed in any forward-looking statements made by or on our behalf. Forward-looking statements are not guarantees of future performance as they involve a number of risks, uncertainties and assumptions that may prove to be incorrect and that may cause our actual results and experiences to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks, uncertainties and assumptions that may affect our performance include our financial leverage and debt service requirements, dependence on key personnel, dependence on key stations, U.S. and local economic conditions, our ability to successfully integrate acquired stations, regulatory requirements, new technologies, natural disasters and terrorist attacks. We cannot be sure that we will be able to anticipate or respond timely to changes in any of these factors, which could adversely affect the operating results in one or more fiscal quarters. Results of operations in any past period should not be considered, in and of itself, indicative of the results to be expected for future periods. Fluctuations in operating results may also result in fluctuations in the price of our stock.

For a more complete description of the prominent risks and uncertainties inherent in our business, see Item 1A.

Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010.

### **Liquidity and Capital Resources**

#### ***Debt Arrangements and Debt Service Requirements***

Our credit agreement is a reducing revolving line of credit maturing on July 29, 2012 (the Credit Agreement). Our indebtedness under the Credit Agreement is secured by a first priority lien on substantially all of our assets and of our subsidiaries, by a pledge of our subsidiaries' stock and by a guarantee of our subsidiaries.

As of March 31, 2011, we had \$92.1 million of long-term debt (including the current portion thereof) and our unused borrowing capacity under the Credit Agreement was approximately \$12.6 million.

Under the Credit Agreement the Revolving Commitments must be permanently reduced by \$2.5 million at the end of each calendar quarter. In addition, each calendar quarter the Revolving Commitments must be further reduced by 75% of Excess Cash Flow (as defined in the Credit Agreement) and is included in the current portion of long-term debt at March 31, 2011. Any outstanding balance under the Credit Agreement will be due on the maturity date of July 29, 2012. Interest on the Credit Agreement is at a variable rate, and as such the debt obligation outstanding approximates fair value.

The Credit Agreement contains a number of financial covenants (all of which we were in compliance with at March 31, 2011) that, among other things, requires us to maintain specified financial ratios and impose certain limitations on us with respect to additional indebtedness, acquisitions, the incurrence of additional liens, the disposition of assets, the payment of cash dividends, repurchases of our Class A Common Stock, mergers, changes in business and management, investments and transactions with affiliates. The financial covenants become more restrictive over the life of the Credit Agreement.

We are in the process of seeking a new credit facility to replace our Credit Agreement which matures on July 29, 2012. We believe that we will be able to enter into a new credit facility on terms that are satisfactory to us and expect to complete this process in 2011. Upon the retirement of our Credit Agreement, we expect to write-off the unamortized debt issuance costs, which were approximately \$1.4 million at March 31, 2011.

In April 2011, approximately \$1.1 million of secured debt of an affiliate maturing in May 2011 was extended for a term of 90 days.

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***Sources and Uses of Cash***

During the three months ended March 31, 2011 and 2010, we had net cash flows from operating activities of \$5,885,000 and \$7,342,000, respectively. We believe that cash flow from operations will be sufficient to meet quarterly debt service requirements for interest and scheduled payments of principal under the Credit Agreement. However, if such cash flow is not sufficient we may be required to sell additional equity securities, refinance our obligations or dispose of one or more of our properties in order to make such scheduled payments. There can be no assurance that we would be able to effect any such transactions on favorable terms, if at all.

Our capital expenditures, exclusive of acquisitions, for the three months ended March 31, 2011 were approximately \$1,145,000 (\$845,000 in 2010). We anticipate capital expenditures in 2011 to be approximately \$5 million, which we expect to finance through funds generated from operations.

***Summary Disclosures About Contractual Obligations and Commercial Commitments***

We have future cash obligations under various types of contracts, including the terms of our Credit Agreement, operating leases, programming contracts, employment agreements, and other operating contracts. For additional information concerning our future cash obligations see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation Summary Disclosures About Contractual Obligations and Commercial Commitments in our Annual Report on Form 10-K for the year ended December 31, 2010.

We anticipate that our contractual cash obligations will be financed through funds generated from operations.

***Critical Accounting Policies and Estimates***

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require us to make estimates, judgments and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures and contingencies. We evaluate estimates used in preparation of our financial statements on a continual basis. There have been no significant changes to our critical accounting policies that are described in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in our Annual Report on Form 10-K for the year ended December 31, 2010.

***Inflation***

The impact of inflation on our operations has not been significant to date. There can be no assurance that a high rate of inflation in the future would not have an adverse effect on our operations.

***Item 3. Quantitative and Qualitative Disclosures about Market Risk***

Refer to Item 7A. Quantitative and Qualitative Disclosures about Market Risk and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Market Risk and Risk Management Policies in our Annual Report on Form 10-K for the year ended December 31, 2010 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2010 Annual Report on Form 10-K.

**Table of Contents****Item 4. Controls and Procedures**

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to cause the material information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 to be recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. There were no changes in the Company's internal controls over financial reporting during the quarter ended March 31, 2011, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

**PART II OTHER INFORMATION****Item 1. Legal Proceedings**

We currently and from time to time are involved in litigation incidental to the conduct of our business. We are not a party to any lawsuit or proceeding which, in the opinion of management, is likely to have a material adverse effect on our financial position, cash flows or results of operations.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table summarizes our repurchases of our Class A Common Stock during the three months ended March 31, 2011. All shares repurchased during the quarter were from the retention of shares for the payment of withholding taxes related to the vesting of restricted stock.

|                                 |                                           |                                       | Total<br>Number of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Program | Approximate<br>Dollar<br>Value of Shares<br>that May Yet be<br>Purchased Under<br>the<br>Program(a) |
|---------------------------------|-------------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Period                          | Total<br>Number<br>of Shares<br>Purchased | Average<br>Price<br>Paid per<br>Share |                                                                                             |                                                                                                     |
| January 1    January 31, 2011   |                                           | \$                                    |                                                                                             | \$        14,440,427                                                                                |
| February 1    February 28, 2011 |                                           | \$                                    |                                                                                             | \$        14,440,427                                                                                |
| March 1    March 31, 2011       | 4,035                                     | \$        28.95                       | 4,035                                                                                       | \$        14,323,614                                                                                |
| Total                           | 4,035                                     | \$        28.95                       | 4,035                                                                                       | \$        14,323,614                                                                                |

- (a) On August 7, 1998 our Board of Directors approved a Stock Buy-Back Program of up to \$2,000,000 of our Class A Common Stock. Since August 1998, the Board of Directors has authorized several increases to the Stock Buy-Back Program, the most recent occurring in January 2008, which increased the total amount authorized for repurchase of our Class A Common Stock to \$60,000,000. The terms of the Credit Agreement, as amended, limit our ability to repurchase our Class A Common Stock.

**Item 6. Exhibits**

- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2

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Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

- 32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 and Rule 13-14(b) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SAGA COMMUNICATIONS, INC

Date: May 10, 2011

/s/ SAMUEL D. BUSH  
Samuel D. Bush  
*Senior Vice President,  
Chief Financial Officer and  
Treasurer (Principal Financial Officer)*

Date: May 10, 2011

/s/ CATHERINE A. BOBINSKI  
Catherine A. Bobinski  
*Vice President,  
Corporate Controller and  
Chief Accounting Officer  
(Principal Accounting Officer)*